

Guide to use the TR (Trend Recognition) Indicator

1. Introduction:

TR or Trend Recognition Indicator is our proprietary indicator to identify Bullish and Bearish trends for a stock. The Trend Recognition Indicator could generate early entry and exit signals guiding investors / traders to make informed decisions. It is designed to cut losses and maximize profits as long a stock is trending in a direction. For a visual demonstration, watch the tutorial video at: [How to use TR Indicator?](#)

TR Indicator is available in our “Advance Stocks Analysis for Excel 365” software and is automatically plotted every time a new ticker is entered on the “User Interface” worksheet and/or “Update” button is placed. The status of TR indicator for the current worksheet is displayed below the “Technical Indicators” section. In addition, user can use the “StockTableInfo” worksheet to display the Daily TR indicator status by selecting indicator as a table field. For information on using these two worksheets please see Chapters 3 and 4 of the User guide.

TR Indicator chart is displayed for the current ticker symbol in the “TR Chart” worksheet. Users can switch between daily and weekly charts based on different time frames from 1 Month to 5 Years. Users can quickly check a table of tickers for the status for their daily and weekly TR indicators. There is also a TR Indicator back test available which could be performed through the ribbon item on menu bar “Stock Analysis”. For further details on using the built-in TR features, please refer to Chapter 5 of the User guide.

A sample TR indicator for NOW (Service Now) is shown in Fig 1:

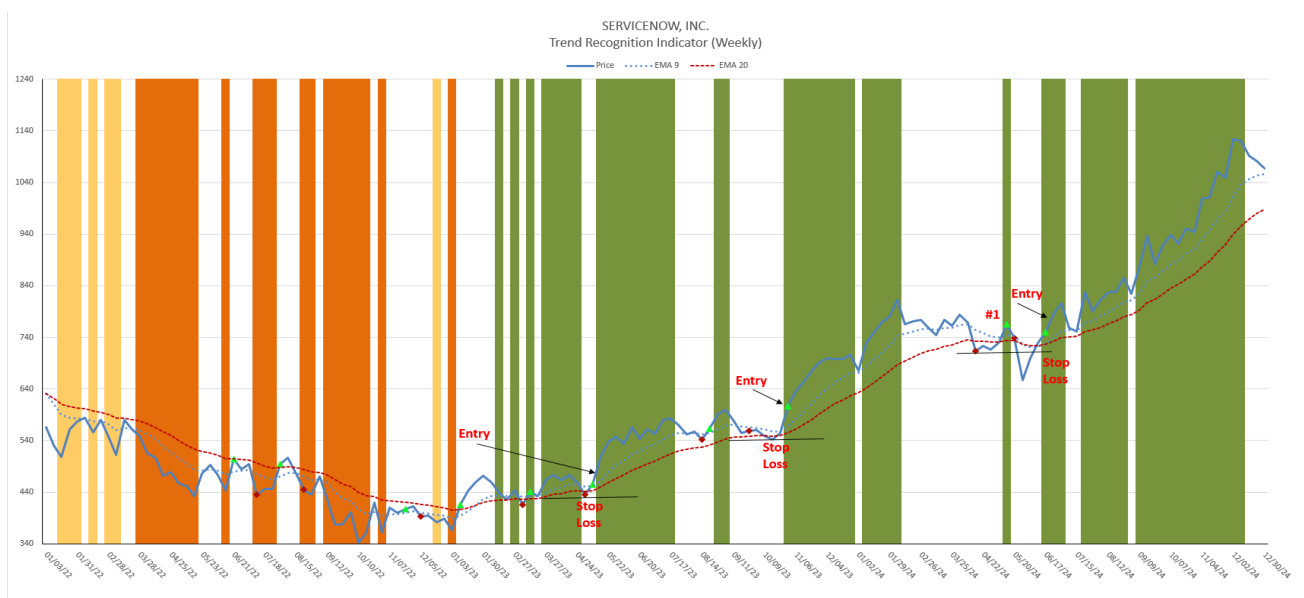


Figure 1: 3-year weekly TR Chart for ServiceNow (NOW)

2. TR Indicator Signals:

The TR Screener is available on the “TR Chart” worksheet and screens all the Tickers in the list (table) for trend signals.

The TR indicator generates the following signals on the TR Chart:

Buy signals are generated when it is expected that Stock will move upwards in near future.

- Neutral Buy - shown by a green triangle pointing upwards indicating that the stock price is changing its direction in favor of an upward move.
- Buy - Light green bands - an uptrend has been established although in the initial stages.
- Strong Buy – Dark green bands, indicates that a strong upward trend is in place.

Sell signals are generated when it is expected that Stock will move downwards in near future.

- Neutral Sell - shown by a red diamond indicating that stock is changing its direction in favor of a downward trend.
- Sell – Light orange bands, a downtrend has been established although in initial stages.
- Strong Sell – Dark orange bands, a strong downtrend is in place.

In the worksheet(s), If there is a new signal recorded for a ticker on the last trading period (last day or week), then it is shown an Up-Arrow ↑ or a Down arrow ↓ in the cell displaying the TR signal.

Along with the TR indicator, the TR indicator also plots two Moving Averages lines (9-period and 20-period exponential moving average lines). During a trend, 9/20 EMAs provide good support / resistance level. Quite commonly, a trending stock bounces back and reverts from these moving averages.

3. What TR indicator is and what is it not?

While TR Indicator is very good for picking up strong trends, just like any other technical indicator it is not a holly grail and should be used in conjunction with overall market analysis bearing in mind an individual stock's fundamentals and behavior. A struggling market (or a particular sector) which is trying to pull back will pull down even the strong stocks or could limit their trend moves in the opposite direction. TR indicator works on assessing both Price action and momentum (i.e., speed of price changes), but these parameters could change quickly in line with market and investor sentiments and hence it is not guaranteed that an established trend would continue in the desired direction for a reasonable amount of time.

Investors and Traders are therefore, urged to educate themselves about the following aspects of investing / trading before making any decisions based on TR Indicator signals:

- Technical Analysis especially use of moving averages, Convergence / Divergence and Patterns
- Company's products / services and product life cycle
- Competitive landscape for the company
- A stock's fundamentals such as revenue and earnings growth and prospects
- Overall financial conditions of the company including its assets, debt, liabilities, free cash flow, return on equity and future projections.
- Analyst expectations covering a particular company for their future projections, challenges, and prospects, and
- Seasonality effects on a stock's price action. Different companies and their products tend to perform better during certain parts of the year, e.g., retailers and discount stores tend to perform better in the 4th quarter of every year.

Investing / Trading is not just a science but also an art requiring the combination of technical analysis skills with the market reading skills of the investor / trader to be profitable in the long run.

4. Stocks Screening / watchlists

The process starts with a list of screened stocks meeting certain criteria established by the trader. There are several good third-party screeners available which scan thousands of stocks and ETFs and filter out results based on the established criteria. Once a screened list is obtained it could be put in a watchlist and then the TR Indicator Screener could be run to check for any new signals. Some of the popular screeners are:

1. Trade-Ideas Pro
2. StocksCharts
3. Bar Chart
4. FinViz
5. IBD (Investors' Business Daily)

Please note that these names are copyrights and trademarks of their respective owners. Most of them are available only on a subscription basis although some are also available on a free / trial basis. It is out of our scope to discuss the use of these screeners to narrow down a list of stocks using these screeners. Readers are requested to visit their respective websites for further details on these stocks' screeners.

5. Using the TR Indicator Signals to make sound trading decisions.

Enough of background and introduction, let's say after an analysis and screening, we have come up with a list of four ticker symbols and would like to check their TR indicator signals for making a long entry (Please note that we are not going to discuss the short entries since currently a strong

uptrend rally is underway and the instructions need to be flipped to select a stock in a downtrend). The following stocks will be analyzed:

1. ServiceNow (NOW)
2. Bitcoin, represented by its proxy ETF (GBTC)
3. Chevron Corporation (CVX), and
4. Boot Barn (Boot)

We'll explain how to use the TR indicators to arrive at a trading decision. Please note that larger time frame (Weekly vs Daily) TR Indicator are more likely to predict a longer trend suitable in line with our strategy of getting into 20-25% and higher profit generating trades. On the other hand, weekly signals will take more time to develop (weeks vs days) and by the time a trader decides to get into a trade it is already 1-2 weeks in that trade. Traders must assess if it is a late stage or extended trend then the trend might not have enough room to play out as all trends will eventually pull back to their moving averages (or even below in case of a reversal).

Example #1. ServiceNow (NOW):

ServiceNow's TR Indicator chart is shown in Figure 1 (Page 1).

On this chart, ServiceNow was clearly in a downtrend (shown by light and dark orange bands on the left). Note that every time stock tried to rebound it encountered resistance around 20-period EMA line (in this case 20 weeks) and dropped back. Therefore, shorting at EMA-20 line could have been a profitable strategy as the market, overall sector (Tech sector in this case) would have been in similar trends. But since we are not interested in shorting stocks in secular bull markets hence, we skipped the short trades and waited till the first green band appeared around 1/30/23.

Note that the stock was trying to reverse its downtrend (as shown by green triangles) but since it was in a strong downtrend, multiple efforts failed, and stock continued to slide till 01/23. Patient traders should wait for a confirming trend to appear.

There could be two approaches to find a long entry in this scenario:

1. When several short-lived green bands of trend are developed, stock is bouncing from the 20-EMA line and above the 9-EMA line. This is a slightly higher riskier entry by could lead to higher rewards in return. Stop Loss should be 8-10% or below the last low (turning point of the price line).
2. Entry #1 was made on 5/15/23 around 470 when stock rebounded second time from testing the rising 20-EMA line and crossed the previous high (around 4/17/23). This is known as the breakout strategy and rising above the previous high signals that stock has developed enough momentum to continue the trend. Stop loss should again be 8-10% or below the last trough (430).

We could ride the trend as long as it keeps bouncing from the 20-period EMA line. In this case since a strong upward trend has been established, every time it pulls back it finds support.

Entry #2 appears on 06/17/24 when a green band along with a green rectangle appears and the price line crosses the prior high (marked #1) signaling that stock is likely to move ahead. Stock pulled back a bit to come back to the rising 9-period EMA line before continuing its journey. Suggested stop loss: 8-10% or below the 20-period EMA line. An investor may decide to add to an existing position at this stage.

Exit strategy:

Partial profits should be taken around 20-25% range in any case and let the remaining position run in case of a strong trend. A complete exit could be taken once the 20-period EMA undercuts the 50-period EMA line. ServiceNow pulled back in May 2024 only to continue its journey. Depending upon the profit cushion, a trader could choose either to quit the position completely or take chances for another bounce. In this case, it was a very high reward-to-risk trade as the stock ultimately hit 1100 level.

Note: It is recommended to exit a long position completely even if there is a profit cushion left when an orange band appears signaling that a potential downward trend has started.

Example #2 Grayscale Bitcoin Trust (GBTC) – Daily Chart:

TR indicator has given interesting signals in case of Bitcoin. Since Bitcoin is not directly available in the Excel data feed, we have used its proxy ETF GBTC. Figure #2,3 display daily and weekly TR Indicator charts for GBTC respectively:

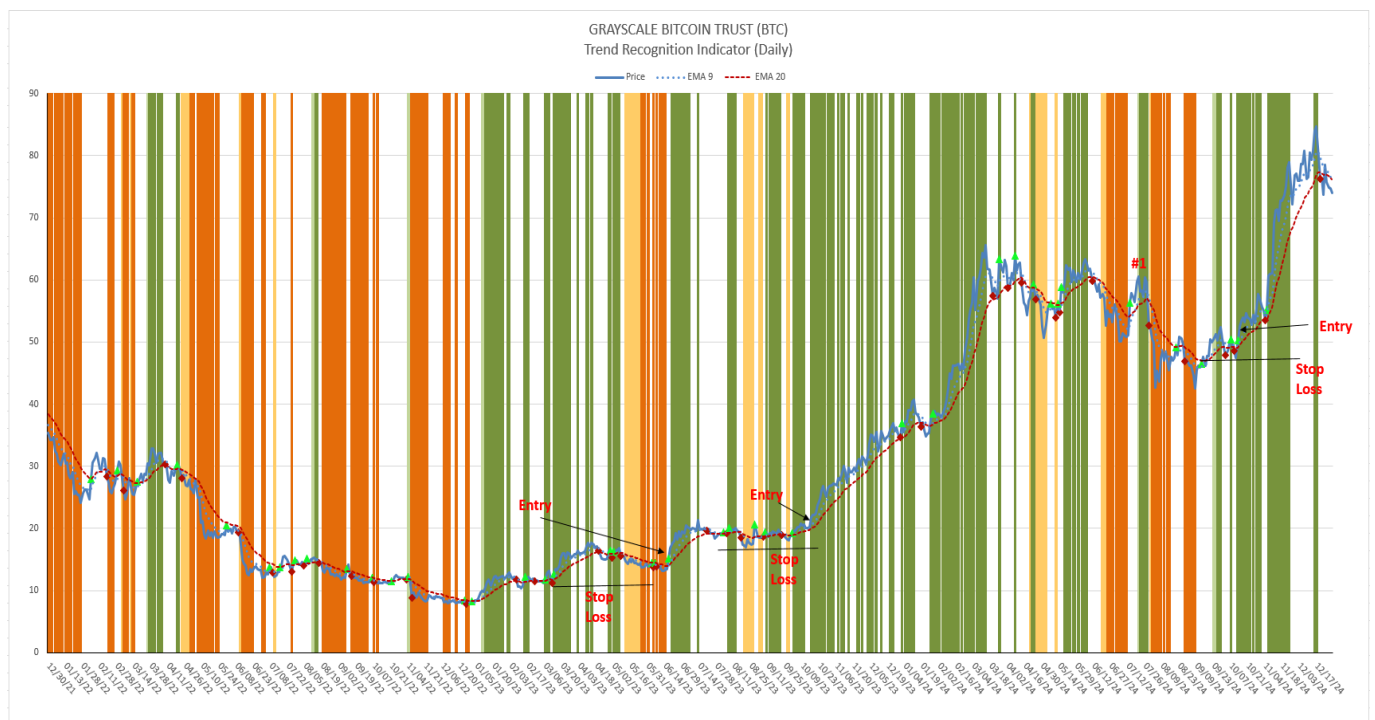


Figure 2: Weekly TR Indicator Chart for Grayscale Bitcoin Trust (GBTC)

We ignore the first signal on the left as normally stocks pull back after a strong down trend as shown by short-lived orange bars towards the left side of the chart.

An early entry could have been taken around 03/20/23 when the green band reappeared and price crossed the previous high with a stop loss below previous low. As per the recommended rule profits should have been taken once the price falls below the 50-period EMA a month later.

Another entry appears as the price again crossed the previous high in the green band around 06/14/23 with a suggested stop loss of 8-10%. Partial profits or complete exit should have been taken once the price came below the 20-period EMA again. A second entry appears as the bitcoin broke out again around 10/09/23 in a green band surpassing the previous highs in the immediate green bands showing continuing momentum. This time the traders could ride the uptrend until the price breaks below the 20-period EMA line or an orange band appears at 04/16/24 resulting in a 300% return.

Note point #1 is not a valid entry as the price never surpassed the previous immediate high in the green bands and dropped back.

A fresh entry appeared around 10/07/24 when price rose past the previous immediate highs in the green zones around 52. This entry lasts till 12/08/24 when price finally came down below the 50-period EMA. Aggressive traders could still hold this position if they enjoy a good profit cushion, and they could shift their focus to weekly charts.

Example #3: Grayscale Bitcoin Trust (GBTC) – Weekly Chart:

The weekly chart gives fewer but clearer signals:

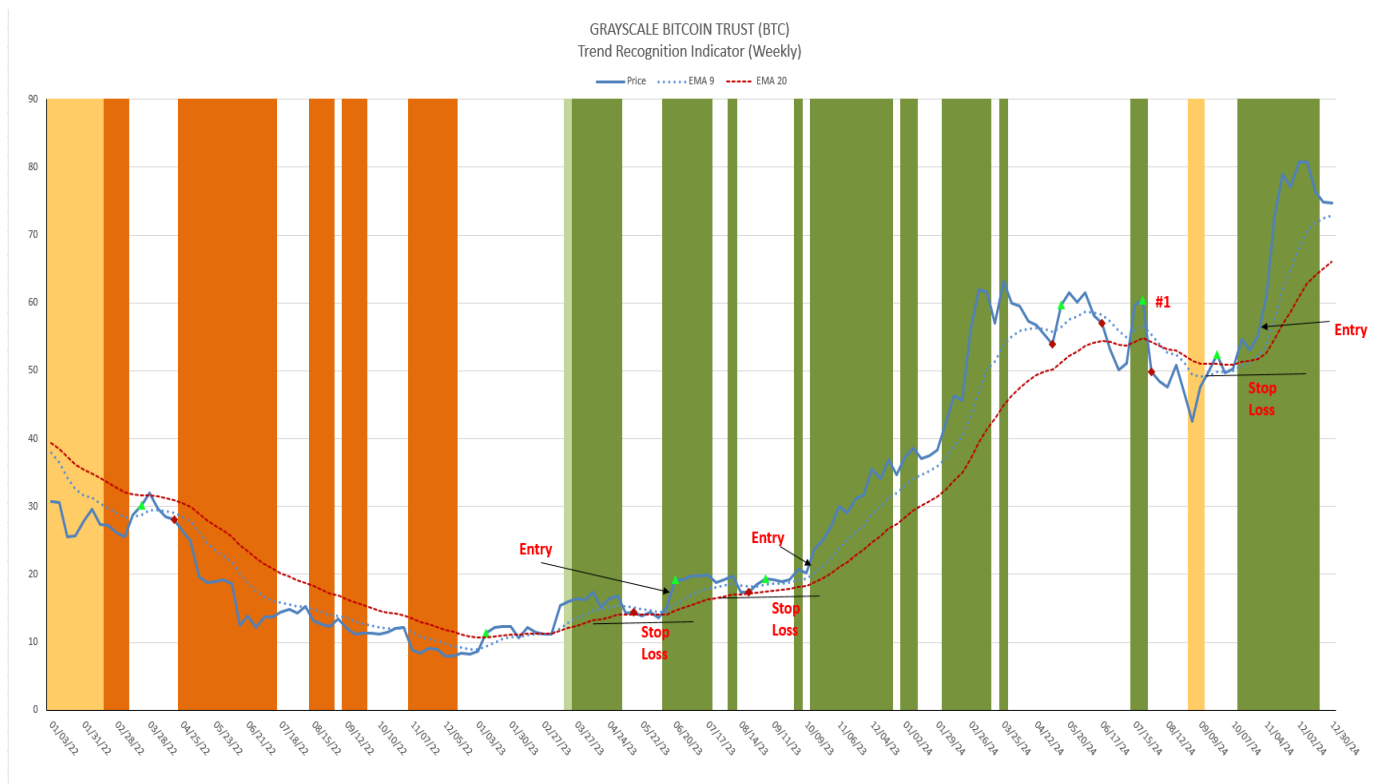


Figure 3: Weekly TR Indicator Chart for Grayscale Bitcoin Trust (GBTC)

Again, the light and dark orange bands towards the left of the chart show a strong downward trend for bitcoin and every time it pops up and tests the 20-period EMA line it drops back until the trend is reversed, and green bands start to develop. Aggressive investors could make an early entry immediately when a green band appears after a series of strong orange bands. The first entry was made just as the bitcoin came back to 20-period EMA and then finally broke out past previous crest (marked by black arrow). Stop Loss should be 8-10% or below the red 20-period EMA line.

Although the bitcoin came down to test the rising 20-period EMA line, it once again bounced and continued its upward trajectory. An exit could have been taken when the bitcoin finally came down the 20-period EMA line after the red diamond signaling a downward or consolidating phase. This entry resulted in a 300% return.

A second early entry signal was noticed after the week of 10/07/24 when not only a green band appeared but the price also crossed the previous high and green triangle signaling a breakout which is still in place (till the time of this writing). Once again, partial profits could have been taken, and we could let the rest run or wait for a 9-period or 20-period line cross to exit the position.

Example #4: Chevron – Weekly Chart:

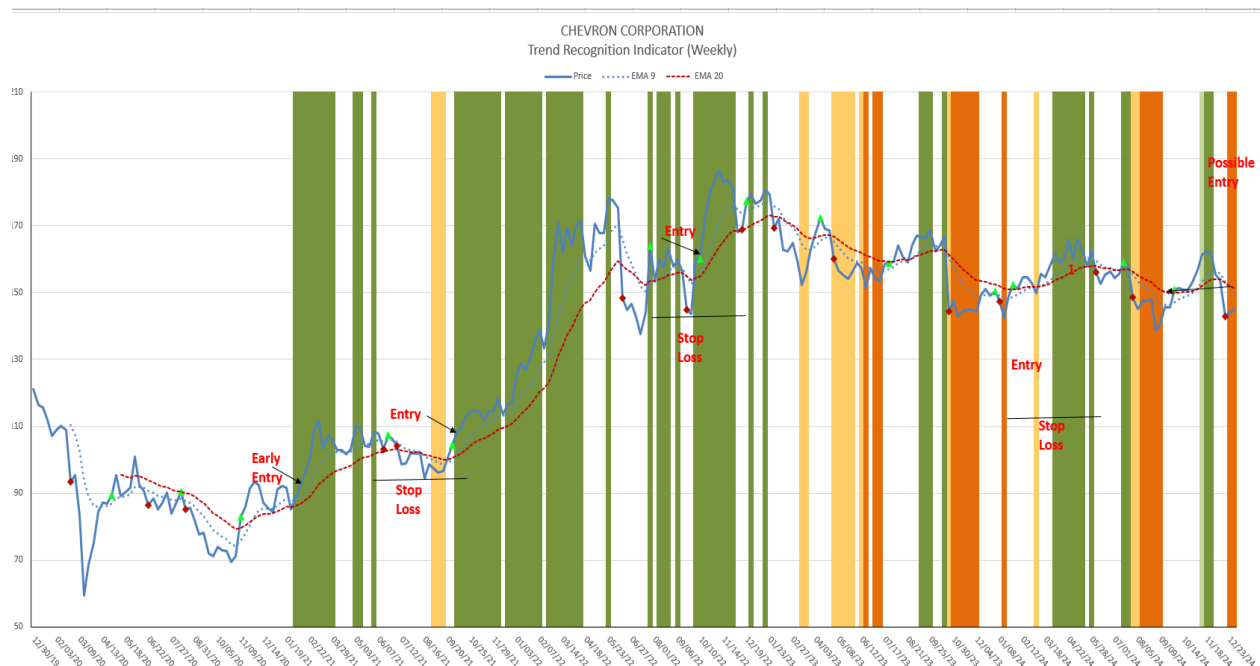


Figure 4: Weekly TR Indicator Chart for Chevron Corporation (CVX)

Chevron has shown a more challenging and consolidating chart. An early entry could be taken when the price moves past the previous high inside the green band (Jan 2021). Normally when a new trend appears, prices tend to pull back to continue the previous trend. After a brief pullback, an entry appeared on 09/20/21 when price rose past previous highs after a green triangle signaling the uptrend start. This uptrend lasted till June 2022 when price finally broke the 20-period EMA line after a 40% return. Another entry reappeared in Oct 2022 when the curve broke out again past the previous high in green bands but this move did not last longer and by Feb 2023, the uptrend finished.

Example #5: Boot Barn Holdings – Weekly Chart:

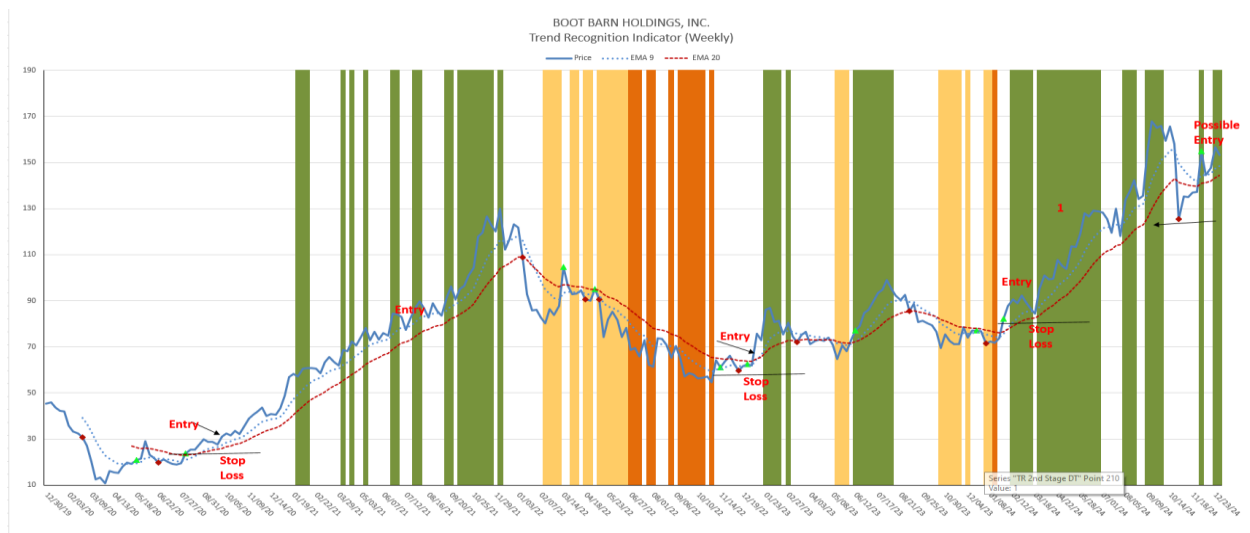


Figure 5: Boot Barn Holding (BOOT):

An early entry could have been made when a green triangle appeared, and price rose past the previous high above the 20-period EMA line around 09/15/20. The trend continued till the price broke the 20-period EMA in March 2022. This was a more than 300% return on trade and partial profits should have been made much earlier.

Late entries re-appeared in Dec 2022 after price finally broke past the 20-period EMA line with a stop loss below previous trough. Another entry was noticed in April 2024 when after a brief downtrend, price rose past the previous high in green band. This trade has resulted in a 40% return till Oct 2024.

6. Summary:

- 1) The TR Indicator provides good entry and exit signals, especially on larger time frame charts; however, it should be used in conjunction with other technical indicators like 9 and 20-period EMA lines.
- 2) Trade decisions should not be made in isolation, other factors such as overall market conditions and the sector and industry group trends should also be considered. Always think that you are entering into a trend for at least a few weeks or months and not for very short-term swings or gains.
- 3) Focus on leading stocks in leading industry groups. They have a higher chance of bouncing back after periods of correction and downtrends.
- 4) When an upward trend starts after a long period of consolidation or downtrend, it takes time to firm up and, in this process, stocks often pullback to moving averages to find support before finding a sustained upward path.

- 5) Two strategies could be adopted while considering the TR indicator:
- Pullback strategy: If the green bands have already appeared and the trend is not extended from the moving averages then a pullback to 20-period EMA (for weekly) and 50-period EMA (for daily charts) could provide a suitable entry for a bounce back.
 - Break out strategy: In this strategy, if the price is already in a green band and crosses the immediate highs in the previous green bands then the stock could move to new highs if the momentum continues.
- 6) Place the stop loss below the last trough below the 20-period EMA line not exceeding an 8-10% range.
- 7) Take the partial profits along the way. Remember nobody has gone bankrupt while making profits.
- 8) Exit the position at a pre-determined target or if stock drops below the 50-day EMA line in heavy volumes which is a sell signal. This will also be accompanied by a red diamond on the TR chart.

7. Indicators:

1. TR Indicator – Our proprietary indicator for detection of trends in a stock's price.
2. EMA (Exponential Moving Average) is a technical chart indicator that tracks the price of the stock. It is a type of Weighted Moving Average that gives more weight to recent price data. In the above examples, 9-period and 20-period EMA indicators have been used.

8. References:

- a. Website: <https://analyzestocks.net>
- b. YouTube video: [How to use TR Indicator?](#)
- c. Facebook: [Facebook Analyze Stocks Page](#)
- d. Threads: [Threads Analyze Stocks Page](#)

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